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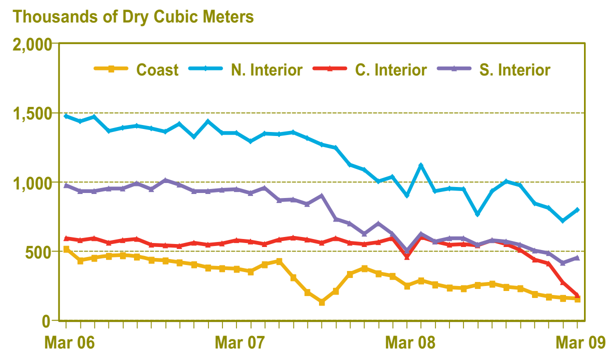
This week's economic indicators continue pointing to an unfolding recession that sees real output in most, but not all, regions and industries in North America bouncing around cyclical lows.

In the United States, consumer confidence increased in May for the third consecutive month. Recent gains are mainly about improved expectations for six months into the future rather than the current situation, which remains stressed. Meanwhile, U.S. housing prices continued to decline, further damaging household net worth. Existing home sales edged up in April but remain at very low levels by historical standards. Listings increased by more than sales, raising excess supply and further dampening price trends.

In Canada, corporate profits fell sharply in the first quarter, the second consecutive such quarterly decline following years of steady growth since the last significant downtrend in 2001. The slide continues to be led by oil/gas extraction, manufacturing, construction, retail trade and transportation industries. Declines were widespread, with 18 of 22 industrial sectors earning less net operating income. The only industrial sectors showing increased profits in the first quarter were agriculture/forestry, education/health care and arts/entertainment/recreation services.

In British Columbia, payroll employment continued to decline in March. The month-over-month drop by industry, in descending order of magnitude, was retail/wholesale trade, accommodation/food services, manufacturing, education, construction, transportation/warehousing, forestry/logging, administrative support, finance/insurance, real estate/leasing and utilities. Declines in these industries more than offset month-over-month gains in mining, public administration, health care/social assistance, miscellaneous services, management of enterprises and arts/entertainment/recreation industries.

Sawn Lumber Production, B.C.
Monthly, Seasonally Adjusted



Source: Statistics Canada with C1CU seasonal adjustment.

Statistics Canada's latest estimate of **sawn lumber production** in B.C. shows a slight uptick in March, which does nothing to alter the long-term downward trend that began in March 2006 and has since seen output drop by 55%. Production totalled 1.62 million dry cubic metres in March, seasonally adjusted, up 2.8% from February. Leading the uptick were the Northern Interior region, which saw an 11% rise in seasonally adjusted output, and the Southern Interior region, with a 9% month-over-month gain. Meanwhile, lumber production fell 33% in the Central Interior and 4% in the Coastal region.

B.C.'s lumber manufacturing industry continues to be depressed by dismal housing markets in the U.S. Home sales there will need to trend upward before housing asset prices bottom out and thus set the stage for a rebound in new home construction. Despite March's uptick, the outlook for lumber manufacturing in B.C. remains negative.

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